

Item 7.2

Report

Finance Update

Edinburgh Integration Joint Board

21 June 2018

Executive Summary

1. The purpose of this report is to provide the Integration Joint Board (IJB) with an update on progress towards a balanced financial plan for 2019/20. It also makes recommendations on bridging the in year shortfall.

Recommendations

2. The Integration Joint Board is asked to:
 - i. Agree that, after allowing for commitments, £2.4m that has been carried forward in the IJB's internally generated reserve is used on a non recurring basis to support financial balance;
 - ii. Agree that slippage on centrally funded initiatives, estimated at £3.7m is also applied on a non recurring basis to support financial balance;
 - iii. Reiterate its commitment to delivering the outcomes identified by the Scottish Government in relation to these initiatives, specifically to invest the full amount allocated to each project on a recurring basis;
 - iv. Note that the financial plan remains unbalanced; and
 - v. Support the ongoing efforts to reach a balanced position.

Background

3. The May meeting of the Board considered the financial plan for the year and approved a savings and recovery programme. It noted that the plan was not yet balanced and discussed the ongoing efforts to bridge the gap, including a proposal to use a combination of IJB reserves and monies related to centrally funded initiatives.

4. Consolidated financial information will not be available until July, when the Council produces its first set of monitoring information, however this report does update on progress with the agreed savings and recovery programme.

Main report

Carry forward

5. Following the May meeting, a comprehensive briefing paper on reserves has been shared with members. This sets out: the rationale for holding reserves; different types of reserves; how the IJB has accumulated reserves; and plans for their use. This briefing builds on the information included in the May finance update report.
6. As previously reported, the IJB ended the year with funds of £9.7m held in reserves from 2 separate sources: internally generated funds; and centrally funded initiatives. For completeness the breakdown provided is repeated in table 1 below:

	£k
IJB funded reserves	5,901
Investment monies	3,791
Total	9,692

Table 1: funding carried forward to 19/20 via the IJB's reserves

IJB reserves

7. Whilst the monies carried forward are non recurring (i.e. one off and can only be spent once) the IJB also has some recurring reserves. This latter type of reserve means that the budget is available each year and can therefore be used to fund plans with year on year costs. These reserves were agreed via the financial planning process to support investments which reflects the IJB's strategic priorities. The fact that these budgets have not yet been committed does not mean that costs are not being incurred to support the particular client group. This is demonstrated to some extent by the rate of overspend in the purchasing budget.
8. Adding these recurring reserves to the non recurring monies carried forward gives the IJB access to £9.6m on internally generated funds as detailed in table 2 below. Sound financial discipline requires that we consider how these funds will be used in 2019/20. In practice this means that we should consider whether the original commitments remain the priority given the current strategic direction; consider any new or emerging priorities and also the overall financial position.

	Recurring £k	Non recurring £k	Total £k
Internally generated funds c/f from 18/19		5,902	5,902
Older people	1,500		1,500
Community accommodation	150		150
Community support	2,000		2,000
Total	3,650	5,902	9,552

Table 2: IJB reserves 2019/20

9. Recognising commitments already in place and, given the combination of an unbalanced financial plan and the IJB's commitment to invest in transformation, the distribution of internally generated funds held in reserves set out in table 3 is recommended.

	£k
Existing commitments	4,404
Offset against savings	2,360
Invest in transformation	2,788
Total	9,552

Table 3: proposed distribution of IJB reserves 2019/20

10. If agreed, this would allow us to:
- invest £1m in year, rising to the planned level of £2m in 2020/21 in community support;
 - fulfil our remaining commitment (totalling £2.1m) to the interim solutions agreed in November 2017 (i.e. an increase in care home capacity);
 - fund the full year impact of the increase in community capacity for people with mental health conditions (St Stephen's Court);
 - ring fence a one off sum of £2.8m to support transformation (£2m agreed by the board in February 2019 supplemented by £0.8m previously agreed to invest in digital technology); and
 - identify £2.4m to partially offset the in year deficit.

Centrally funded initiatives

11. In addition to internally generated funds held in reserves the IJB receives, via its partners, budgets for centrally funded initiatives. These funds recognise Scottish Government policy and other commitments and are referred to in this paper as "investment monies". Proposals relating to the slippage on these funding streams are discussed in paragraphs 12 to 15 below.

12. Separate papers are being presented to this meeting on seek, keep and treat and action 15 monies, and the recommendations below are based on those papers. A further paper outlining the implementation plan for the carers strategy will come to the board in August and a recommendation in relation to slippage on the associated funding will be made at that point. There are current commitments and proposed investments in 2019/20 against the carers strategy totalling £1.6m. Finally, the paper updating on progress with the primary care improvement plan was agreed by the board in May 2019 and no slippage was identified in implementation at this point.
13. At the end of 2018/19 the IJB carried forward £3.8m as part of its reserves from centrally funded initiatives. This related to underspends against monies received in 2018/19 for central initiatives. Each of the programmes are pressing on with implementing plans on a recurring basis. The proposal to make a one off contribution of £3.7m towards the IJBs financial gap does not impact on permanent recruitment etc – it involves using slippage relating to implementing plans only.
14. Accordingly, the estimated slippage totals £3.7m and is summarised in table 4 below:

	£k
Primary care	0
Action 15	763
Seek, keep & treat	1,081
Carers act	1,846
Totals	3,690

Table 4: estimated slippage on investment monies

15. It should be noted that, for these funding streams, the board has previously expressed a commitment to recurringly investing the full budget available annually on delivering the strategic aims and objectives as set out by the Scottish Government.

Balancing the plan and next steps

16. Members are reminded that, despite the identification of a robust and challenging efficiency programme and an assumed contribution of £2.5m from the Council's priority fund, the financial plan for 2019/20 remains unbalanced. In this scenario it is the clear responsibility of the board to consider the range of options available to it, including the use of any uncommitted monies and the reprioritisation of existing commitments. Accordingly, it is recommended that the unallocated balance on reserves (£2.4m) and the anticipated slippage on the investment monies (£3.7m) is applied on a non recurring or one off basis to bridge the in year financial position. In 2020/21 we should see the full year impact of this year's savings programme as well as the start of the financial consequences of our change programme.

17. Even with these measures a residual balance of £3.5m remains, as set out in table 5 below:

	Total £k
Delegated resources	666,004
Anticipated cost of delegated services	687,455
Projected savings requirement	21,451
Savings programme identified	11,941
Contribution from reserves	2,360
Contribution from investment monies	3,690
Outstanding balance	3,460

Table 5: projected net position

18. In May the board were updated on progress with the associated action plan. This continues to be a focus of the Partnership management team and a key feature of our discussions with colleagues in NHS Lothian and the Council.

Savings and recovery programme

19. As discussed above, a consolidated financial position will be available in July 2019, following the first monitoring information produced by the Council. This will evidence the extent to which demonstrable progress has been made with the savings and recovery programme. In advance of this the following update is presented for information:

- Gylemuir has closed ahead of schedule and all staff redeployed into suitable vacancies;
- c£5m of the £12m programme has been assessed as “green” which is extremely positive at this point in the financial year;
- Each individual project has a named lead who has developed the associated implementation plan for the scheme. This includes an indication of the resource required for delivery;
- The first progress reports have now been received and are being followed up by the transformation team. Where the likelihood of slippage has been identified, the relevant lead has been asked to identify where additional support is needed; and
- The first meeting of the reconstituted savings governance board, chaired by the Chief Officer will be held in June 2019.

Key risks

20. The key risk to the IJB is on the ability to fully deliver on the strategic plan in the context of the prevailing financial position.

Financial implications

21. Outlined elsewhere in this report.

Implications for directions

22. Following formal acceptance of the budget allocations from the Council and NHS Lothian the figures in the associated financial plan will inform the funds delegated by the IJB back to the partner bodies. Further work will be required to agree how the projected savings will be allocated between the partner organisations.

Equalities implications

23. While there is no direct additional impact of the report's contents, budget proposals will be assessed through the existing Council and NHS Lothian arrangements.

Sustainability implications

24. There is no direct additional impact of the report's contents.

Involving people

25. As above.

Impact on plans of other parties

26. As above.

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